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A new column debuts

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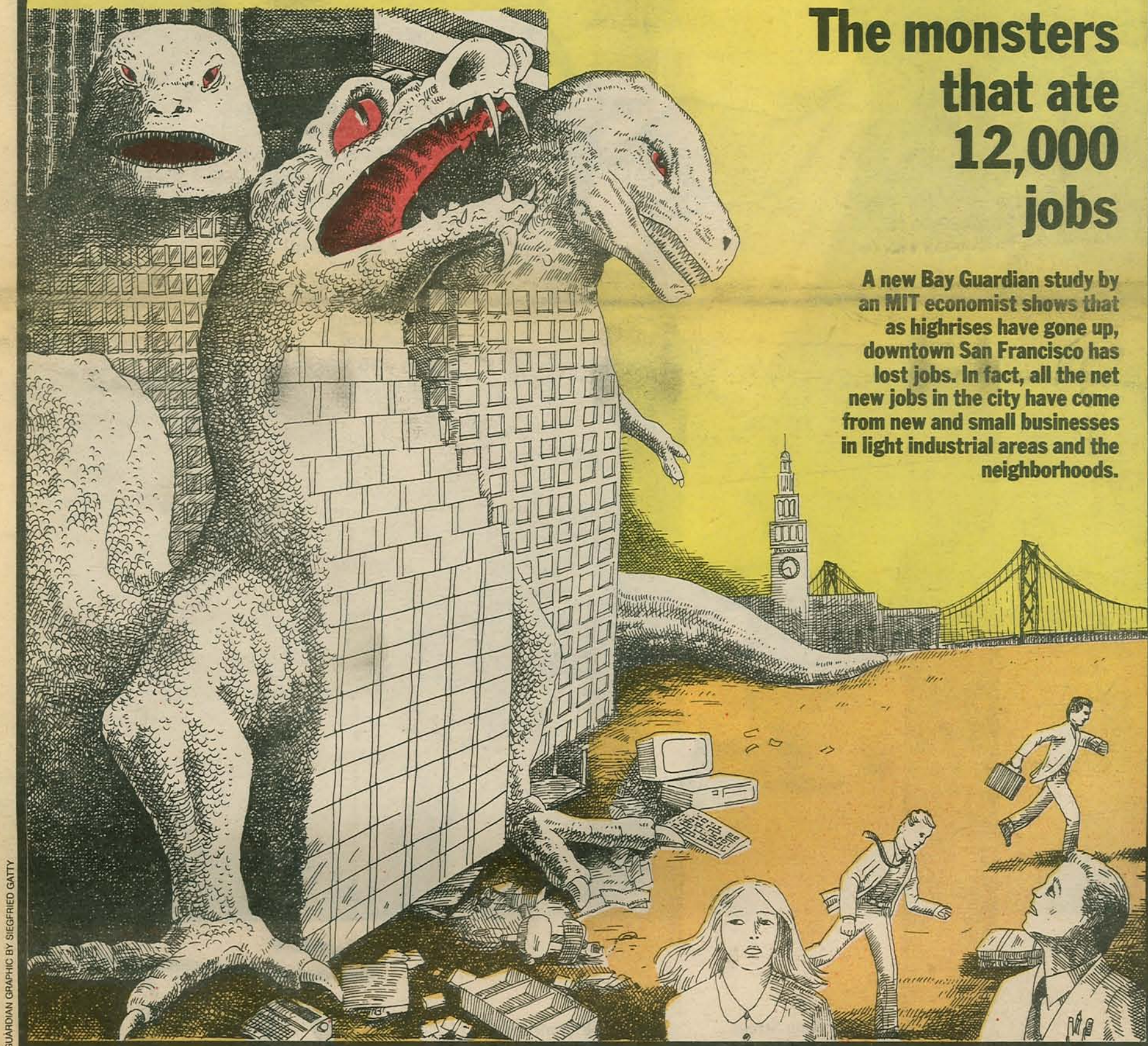
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DOWNTOWN HIGHRISES:

The monsters that ate 12,000 jobs

A new Bay Guardian study by an MIT economist shows that as highrises have gone up, downtown San Francisco has lost jobs. In fact, all the net new jobs in the city have come from new and small businesses in light industrial areas and the neighborhoods.



GUARDIAN GRAPHIC BY SIEGFRIED GATTY

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The highrise jobs myth: 1965-1986, R.I.P.

A new Bay Guardian study shows that San Francisco lost 12,000 jobs downtown during the biggest highrise boom in history. The inescapable conclusion: downtown development does not create jobs.

BY TIM REDMOND

Employment in downtown San Francisco dropped dramatically during the biggest highrise office development boom in the city's history, a new Bay Guardian study shows.

The study, by Massachusetts Institute of Technology economist David Birch, reveals that the city's Financial District suffered a net loss of more than 12,000 jobs between 1981 and 1985. In the lower South of Market region, where much of the new highrise building is now taking place, employment also declined, by more than 7,000 jobs, during the study period.

Positive net job growth occurred only in light industrial and neighborhood commercial areas, the study showed.

In the 342-page study, the first of its kind ever done on a major American city, Birch analyzed job growth by dividing the city into four regions, along postal Zip Code lines. Computerized employment and other business data was supplied by the U.S. Department of Commerce and Dun and

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Bradstreet Inc. Birch said the study represents an accurate survey of between 85% and 90% of all the legitimate businesses in San Francisco.

This is the second of two Birch studies commissioned by the Bay Guardian. Last year, Birch analyzed employment growth citywide, showing

that small, locally owned independent businesses were responsible for all the net job growth in the city since 1980. The second study, completed earlier this month, takes the analysis a step further, demonstrating conclusively that the overwhelming highrise growth of the central business district has not translated into job growth for San Francisco. It has, in fact, been accompanied by job losses.

More buildings, fewer jobs

The implications of the new Birch study are staggering. For two decades, city planning policy has been based on the premise that new highrise office development will mean more jobs. That assumption is explicitly stated in the environmental impact report on the Downtown Plan, and has been repeated numerous times recently by Mayor Dianne Feinstein and business leaders.



GUARDIAN PHOTO BY ANDRE CHOW

Bluxome St. Industry: Job generation takes place outside of downtown.

In fact, in her State Of The City speech in 1985, Feinstein announced that downtown development was creating 10,000 new jobs a year.

The results of the first Bay Guardian/Birch study, published Oct. 23, 1985, strongly suggested that the

Downtown Plan EIR and the mayor's frequent policy statements were in error. However, after studying the results, City Planning Director Dean Macris told the Bay Guardian last year that nothing in the 1985 Birch data undermined the mayor's policies. *continued page 11*

12,000 downtown jobs lost in four years:

Summarizing the results of the new Bay Guardian/David Birch study

District One

Net jobs created: -12,332

By size of firm:

500 or more	- 5,436
100-499	- 3,498
20-99	- 2,037
0-19 employees	- 1,354
unknown	- 8

District Two

Net jobs created: -7,354

By size of firm:

500 or more	- 5,044
100-499	- 32
20-99	- 914
0-19	- 398
unknown	- 976

District Three

Net jobs created: 9,016

By size of firm:

500 or more	- 74
100-499	- 695
20-99	3,421
0-19 employees	5,631
unknown	733

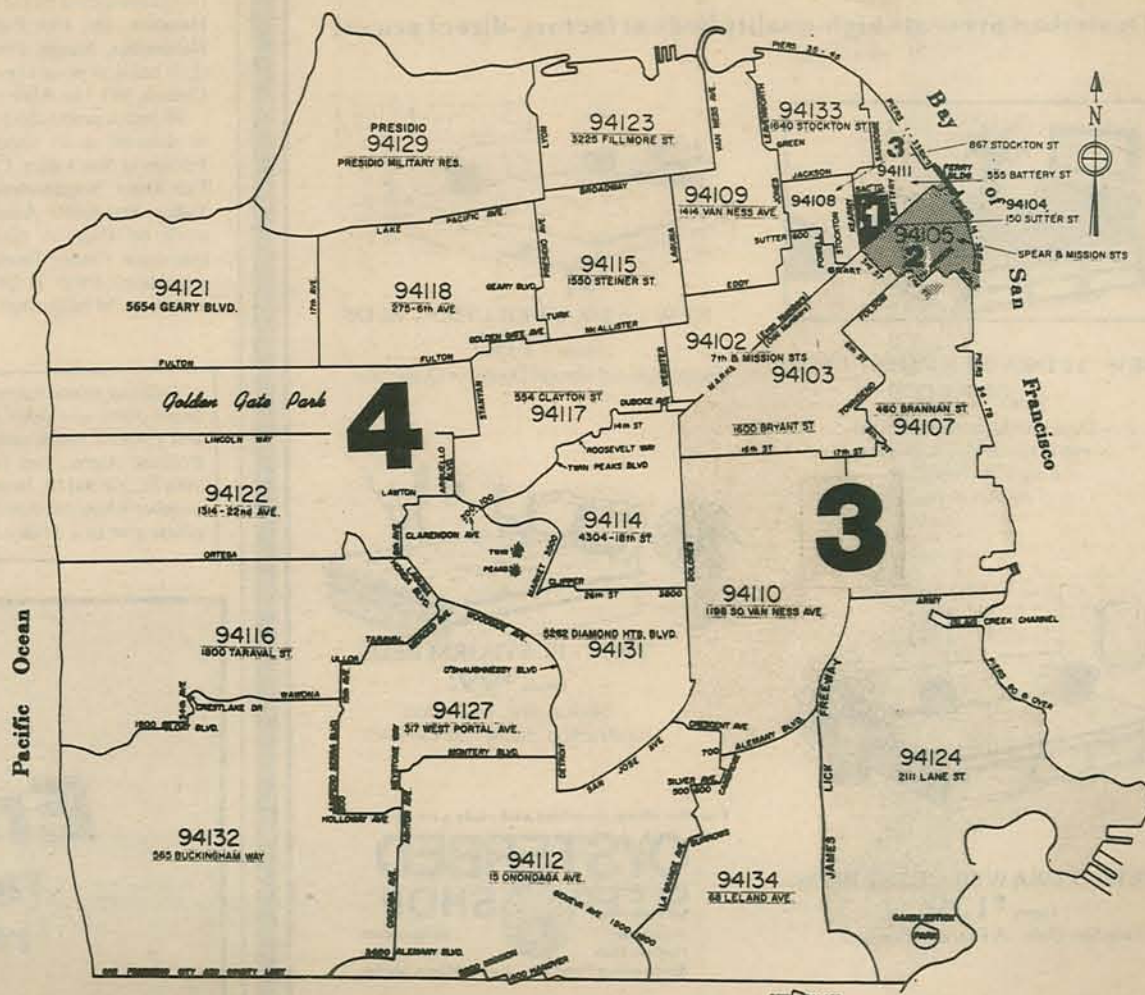
District Four

Net jobs created: 1,549

By size of firm:

500 or more	83
100-499	- 1,070
20-99	- 329
0-19 employees	2,082
unknown	783

A complete copy of this study is available for examination at the Bay Guardian office. Call 824-7660 for an appointment.



The Bay Guardian/David Birch study divided the city into four geographic regions along postal Zip Code lines. The above map shows the regional

boundaries, which correspond to the job gain and loss figures in the table above left.

The implications of the new Birch study are clear: New downtown office buildings don't create jobs.

BIRCH STUDY

continued from page 9

Small businesses were, indeed, providing the bulk of the new jobs in San Francisco, Macris said — but many of those small companies were situated in downtown highrises.

At that time, the Bay Guardian formally asked both the City Planning Commission and the Mayor's Small Business Advisory Commission to hire Birch for a more extensive study — one that would analyze job growth by geographic region. Both agencies refused.

This fall, with the issue of downtown development and the legitimacy of the mayor's Downtown Plan once again before the voters, the Bay Guardian did what the city would not, and commissioned the in-depth geographic study.

Big firms, big losses

The study divided the city into geographic regions, corresponding roughly to the central Financial District north of Market Street (Zip Code 94104), the highrise business district south of Market Street (Zip Code 94105), the light industrial areas south of Market, in the Mission, along Third Street and in the Hunters Point/Bayview Region, and the neighborhood commercial districts elsewhere in the city (see map).

In the first district, Zip Code 94104, the new Bay Guardian/Birch study shows a net loss of 12,332 jobs between 1981 and 1985. The largest net job loss was in the finance/insurance/real estate industry, where employment declined by 3,440 jobs. Employment dropped by 2,071 in the business services sector and by a total of 1,340 in other service-sector industries. Oil and gas companies in the district posted a loss of 3,335 jobs in the period.

Large corporate headquarters were the largest contributors to the job loss, the new Birch study shows. Companies with more than 100 employees accounted for 72% of the net job loss in the Financial District. The smallest loss reported was for companies with fewer than 19 employees, which accounted for 11% of the net decline.

In the second district, Zip Code 94105, the net job loss revealed by the study was also striking. Between 1981 and 1985, the city lost a net total of 7,354 jobs in that district. A massive loss of 7,385 jobs in the transportation and utilities sectors was offset slightly by a modest gain of 1,018 jobs in manufacturing, the study shows.

Again, large companies accounted for most of the loss. Firms with more than 100 employees lost 5,076 jobs, or 69% of the district total. But as in the first district, companies of every size posted a net job loss.

During the study period, the ribbons were cut on more than 20 new San Francisco office buildings, with a total of more than ten million available square feet of office space — roughly one-sixth of the total square footage currently available downtown. Virtually all these new buildings are in the first and second districts analyzed in the Bay Guardian/Birch study.

Empty promises, buildings

The results of the new Birch study

are consistent with the observation Birch made last year in interpreting his first Bay Guardian study. "You can't create jobs by building new, high-rent offices that appeal overwhelmingly to a

section of the economy that is declining," he said. "The firms that are growing and expanding can't afford to pay \$35 a square foot for office space, so a lot of those buildings will end up vacant."

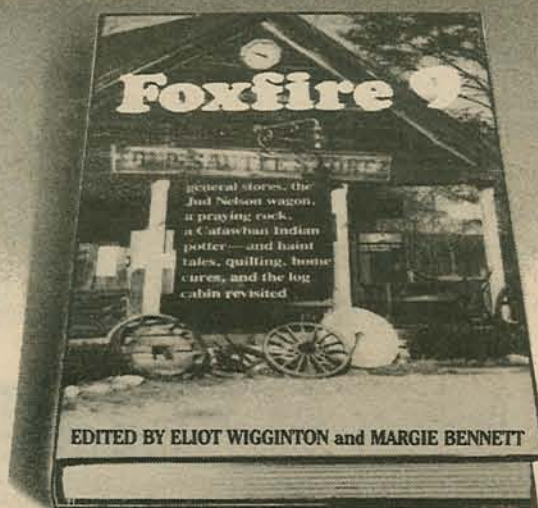
However, some elected officials and downtown business leaders have challenged that assertion, saying many of the office buildings constructed in recent years are occupied largely by small, growing companies.

"The problem with your analysis," Supervisor Bill Maher told the Bay Guardian recently, "is that the small companies you're talking about are located in those big buildings."

Mark Buell, a local real estate consultant, made that same argument in a study released in May. "The size and

continued page 14

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Small businesses? In highrises?

A Bay Guardian research team surveyed seven new highrise and turned up only a handful of small businesses. Here is a

By number of employees in total company

	1-20	20-100	100 +
Number of companies	23	24	69
Total square feet	73,700	248,900	2,455,011
% square feet	2.65	8.96	88.39
Total employees in buildings	174	752	7,955
% employees in buildings	1.99	8.47	89.54

By age

	1-4 years	5-10	10 +
Number of companies	15	19	83
Total square feet	65,200	140,400	2,571,711
% square feet	2.35	5.06	92.59
Total employees in buildings	173	319	8,389
% employees in buildings	1.95	3.59	94.46

By ownership

	Independent	Branch or subsidiary
Number of companies	41	75
Total square feet	451,500	2,325,811
% square feet	16.26	83.74
Total employees in buildings	1,329	7,552
% employees in buildings	14.96	85.04

101 California Street (left) is one of seven buildings surveyed by the Bay Guardian. The results are tabulated below, building by building.

101 California. 1983. 1,265,000 sq. ft.

Sample: 59 companies; 1,014,860 sq. ft.; 3,331 employees. 12 companies declined to respond. Tenants by business: law: 17; banking and investment: 12; insurance: 8; computers: 5; personnel recruiting: 4; real estate: 3; others: 10.

By number of employees in total company.

	1-20	20-100	100 +
Number of companies.	8	13	38
Total sq. ft.	31,000	161,800	822,060
% square feet.	3.06	15.94	81.00
Total employees in building.	63	561	2707
% employees in building.	1.89	16.84	81.27

By ownership.

	Independent.	Branch or subsidiary.
Number of companies.	19	40
Total sq. ft.	303,500	711,360
% square feet.	29.91	70.09
Total employees in building.	964	2,367
% employees in building.	28.94	71.06

By age.

	1-4 years	5-10	10 +
Number of companies.	7	6	46
Total sq. ft.	35,000	64,000	915,860
% square feet.	3.45	6.31	90.24
Total employees in building.	90	150	3,091
% employees in building.	2.70	4.50	92.80

150 Spear. 1983. 255,000 sq. ft.

Sample: 1 company; 245,000 sq. ft.; 400 employees.

Tenants by business: banking and investment: 1 (and only).

By number of employees in total company.

	1-20	20-100	100 +
Number of companies.	—	—	1
Total sq. ft.	—	—	245,000
% square feet.	—	—	100
Total employees in building.	—	—	400
% employees in building.	—	—	100

By ownership.

	Independent.	Branch or subsidiary.
Number of companies.	—	1
Total sq. ft.	—	245,000
% square feet.	—	100
Total employees in building.	—	400
% employees in building.	—	100

By age.

	1-4 years	5-10	10 +
Number of companies.	—	—	1
Total sq. ft.	—	—	245,000
% square feet.	—	—	100
Total employees in building.	—	—	400
% employees in building.	—	—	100

201 Mission (Pacific Gateway Building); 1983; 540,000 sq. ft.

Sample: 2 companies (the only); 448,600 sq. ft.; 1,100 employees.

Tenants by business: banking and investment: 1; real estate: 1.

By number of employees in total company.

	1-20	20-100	100 +
Number of companies.	—	—	2
Total sq. ft.	—	—	448,600
% square feet.	—	—	100
Total employees in building.	—	—	1,100
% employees in building.	—	—	100

By ownership.

	Independent.	Branch or subsidiary.
Number of companies.	—	2
Total sq. ft.	—	448,600
% square feet.	—	100
Total employees in building.	—	1,100
% employees in building.	—	100

By age.

	1-4 years	5-10	10 +
Number of companies.	—	—	2
Total sq. ft.	—	—	448,600
% square feet.	—	—	100
Total employees in building.	—	—	1,100
% employees in building.	—	—	100

Ecker Square, 25 Jessie. 1983. 111,000 sq. ft.

Sample: 7 companies; 76,000 sq. ft.; 296 employees. 1 company declined to answer.

Tenants by business: banking and investment: 3; insurance: 1; accounting: 3.

By number of employees in total company.

	1-20	20-100	100 +
Number of companies.	4	—	3
Total sq. ft.	4,000	—	72,000
% square feet.	5.56	—	94.44
Total employees in building.	19	—	275
% employees in building.	6.42	—	93.58

By ownership.

	Independent.	Branch or subsidiary.
Number of companies.	4	3
Total sq. ft.	4,000	72,000
% square feet.	5.56	94.44
Total employees in building.	19	275
% employees in building.	6.42	93.58

By age.

	1-4 years	5-10	10 +
Number of companies.	1	3	4
Total sq. ft.	1,000	3,000	72,000
% square feet.	1.39	4.17	94.44
Total employees in building.	4	15	275
% employees in building.	1.41	5.01	93.58

101 Market (Federal Reserve Building). 1983. 653,000 sq. ft.

Sample: 4 companies; 653,000 sq. ft.; 2,671 employees. All tenants responded.

Tenants by business: law: 2; banking: 1; telephone company: 1.

By number of employees in total company.

	1-20	20-100	100 +
Number of companies.	—	2	2
Total sq. ft.	—	54,600	598,700
% square feet.	—	8.32	91.68
Total employees in building.	—	71	2,600
% employees in building.	—	2.67	97.33

By ownership.

	Independent.	Branch or subsidiary.
Number of companies.	1	3
Total sq. ft.	36,200	616,800
% square feet.	5.54	94.46
Total employees in building.	50	2,621
% employees in building.	1.87	98.13

By age.

	1-4 years	5-10	10 +
Number of companies.	—	1	3
Total sq. ft.	—	36,200	616,800
% square feet.	—	5.54	94.46
Total employees in building.	—	50	2,621
% employees in building.	—	1.87	98.13

Where?

office buildings — summary of what they found.

"The size and types of firms locating in [highrise office] buildings correspond to the growth sectors of the economy."

— Real estate consultant Mark Buell, in a March, 1986 study.

BY TIM REDMOND

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Nearly 90% of the office space in recently occupied downtown high rises is leased by companies with more than 100 employees, a recently conducted Bay Guardian survey shows.

The survey of seven major buildings that opened their doors in 1983 or 1984 shows that only a tiny percentage of the new first-class office space is occupied by the types of companies that are the city's leading job generators.

A Bay Guardian research team contacted 112 individual companies with offices in the seven buildings. Together, they filled some 2.7 million square feet of space and employed 8,883 people.

The results confirm the data in a new study on job generation in the city by Massachusetts Institute of Technology economist David Birch (see main story) and directly challenge the statement of downtown business leaders who claim that new highrises benefit small businesses.

Five of the seven buildings opened in 1983, and the other two in 1984. Real estate analyst Ken Sproul of the Rubicon Group told the Bay Guardian that a fair survey should not include buildings the have been open less than two years, since newer buildings are likely to have high vacancy rates that would distort the findings.

The Bay Guardian Downtown Study Task Force that prepared the building by building study was: Teresa Renaker, Dieter Tremp, Donna Gouse and David Goldsmith.

353 Sacramento. 1983. 277,000 sq. ft.
Sample: 32 companies; 181,851 sq. ft.; 675 employees.

Tenants by business: law: 4; banking and investment: 6; insurance: 3; computers: 3; real estate: 2; others: 14.

By number of employees in total company.			
	1-20	20-100	100+
Number of companies.	10	6	16
Total sq. ft.	31,700	25,000	125,151
% square foot.	17.43	13.75	68.82
Total employees in building.	85	112	478
% employees in building.	12.59	16.59	70.82

By ownership.		
	Independent.	Branch or subsidiary.
Number of companies.	14	18
Total sq. ft.	56,300	125,551
% square foot.	30.96	69.04
Total employees in building.	186	489
% employees in building.	27.56	72.44

By age.			
	1-4 years	5-10	10+
Number of companies.	6	8	18
Total sq. ft.	15,200	30,200	136,451
% square foot.	8.36	16.51	75.03
Total employees in building.	61	97	517
% employees in building.	9.04	14.37	76.59

The seven buildings surveyed were: 101 California; 150 Spear; 201 Mission; 25 Jessie; 101 Market; 353 Sacramento; and 580 California.

Few small firms

Overall, the survey showed, 2.45 million of the 2.77 million square feet of total space — 88% — was occupied by companies with 100 or more employees. Of the 8,883 employees working in the buildings, 7,955 — 89% — worked for companies with more than 100 total employees.

Only 2.6% of the space was occupied by firms with fewer than 20 employees, and those employees accounted for just 1.9% of the total workforce in the buildings.

According to the first Bay Guardian/Birch study, released in October 1985, small, locally owned independent businesses account for virtually all of the net job growth in San Francisco. Further, the study shows, most of the rapidly growing forms that provide new employment opportunities are less than five years old.

The second study, which is detailed in the accompanying story, confirms and updates those conclusions and analyzes job growth by geographical sector of the city.

Very few of the firms in the seven buildings surveyed fit the characteristics Birch attributes to job-generating companies. Of the 112 firms, just 23 — about 20% — employed fewer than 20 people, 41 were independent and just 15 were less than five years old.

Macris claim disproven

The findings are significant because, continued next page

580 California. 1984. 340,000 sq. ft.

Sample: 11 companies; 158,000 sq. ft.; 410 employees. 1 company declined to answer.
Tenants by business: law: 1; banking and investment: 5; insurance: 1; real estate: 3; consulting: 1.

By number of employees in total company.			
	1-20	20-100	100+
Number of companies.	1	3	7
Total sq. ft.	7,000	7,500	143,500
% square foot.	4.43	4.75	90.82
Total employees in building.	7	8	395
% employees in building.	1.71	1.95	96.34

By ownership.		
	Independent.	Branch or subsidiary.
Number of companies.	3	8
Total sq. ft.	51,500	106,500
% square foot.	32.59	67.41
Total employees in building.	110	300
% employees in building.	6.42	93.58

By age.			
	1-4 years	5-10	10+
Number of companies.	1	1	9
Total sq. ft.	14,000	7,000	137,000
% square foot.	8.86	4.43	86.71
Total employees in building.	18	7	385
% employees in building.	4.39	1.71	93.90

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BUILDINGS

continued from previous page

in the wake of the 1985 Bay Guardian/Birch study, city officials and downtown business leaders began to argue that small businesses do, indeed, create jobs — but that they also locate in highrises.

That argument was first put forward in a letter from Planning Director Dean Macris to the Bay Guardian subsequent to the publication of the 1985

Birch study. The letter, published in the Bay Guardian Nov. 13, 1985, states that "Leasing reports from real estate sources indicate that the majority of firms downtown are using less than 20,000 square feet of space. This translates to fewer than 55 employees. The [Downtown Plan] EIR survey indicates that many of the firms downtown are small businesses employing fewer than 100 people.

"The Birch report has no evidence . . . that that these contribu-

tors to job growth all occupy space outside of downtown," Macris wrote. "The fact of the matter is that the Birch report clearly indicates that . . . job sectors that have registered the strongest growth are likely to locate in downtown."

Macris refused at the time to identify his "real estate sources." A Bay Guardian survey of available leasing reports from Rubloff Brokerage and Management Services showed that there had, indeed, been quite a few

transactions for less than 20,000 square feet of space — but most of the companies leasing those small blocks of space were giant conglomerates — Xerox and General Electric, for example. And Macris also declined to explain that the entire downtown EIR survey involved only 58 firms — and was taken in 1981 and never updated. The Bay Guardian found very little evidence of small, locally owned independent firms situated in highrise office space downtown.

Nonetheless, the Macris claim quickly became the basis for downtown's response to the Birch study. The Bay Guardian formally asked both the City Planning Department and the Mayor's Small Business Advisory Commission to hire Birch to conduct a detailed, geographic study that would resolve the issue — but both agencies refused.

The lack of hard data didn't stop Feinstein from announcing, in her October 1986 Economic Overview Report, that "outmigration among larger firms [downtown] has been off-set by strong growth among smaller businesses." And in ballot arguments against Proposition M, the growth control measure on the November Ballot, five members of the mayor's Small Business Advisory Commission claim that the measure "will force the cost of office space to

skyrocket . . . making it too expensive for new small businesses to locate in San Francisco and prevent existing firms from expanding and providing jobs for San Franciscans."

Little evidence offered

When the Bay Guardian asked the authors of every major ballot argument against Prop. M to provide evidence for their claims, most could provide nothing. Richard Morten, associate director of the Chamber of Commerce, responded by sending to the Bay Guardian a copy of Mark Buell's March 1986 study on employment in downtown office buildings, which purports to demonstrate that highrises are filled with small businesses — just the type that Birch identified as job generators.

As the Bay Guardian pointed out in the May 7, 1986 issue, Buell's study is riddled with errors and shortcomings. But the seven-building survey and the new Birch study go much, much further. Together, the new data demonstrates beyond refutation that small, locally owned independent businesses — the city's major job generators — have little use for new highrise office buildings.

The policy conclusion is inescapable: If the city wants to promote job growth, the worst thing it can do is approve the construction of any more downtown highrise office buildings. ■

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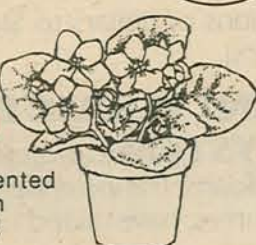
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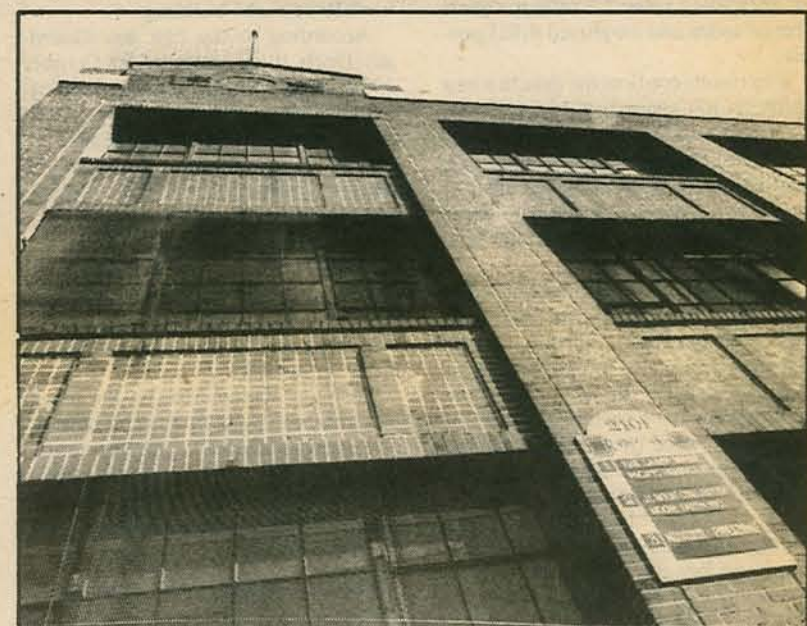
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A converted industrial building on Bryant St.: Small, job-generating businesses are locating in light industrial areas, not downtown highrises.

BIRCH STUDY

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types of firms located in [downtown office] buildings correspond to the growth sectors of the economy," his study states.

And in the June 1985 issue of *San Francisco Business*, Chamber of Commerce Executive Director John Jacobs wrote that "their [small businesses] need for office space [has] resulted in continued downtown construction."

Birch, however, said his new study only confirms what the Bay Guardian suggested last year. "Nothing in the data contradicts what you've been saying," he noted in a recent interview.

An independent Bay Guardian survey of seven major downtown office buildings further confirms the results of the Birch study. The survey team contacted 112 individual companies in seven buildings that opened in 1982 and 1983 and that are fully or almost fully occupied. Nearly 90% of the 2.7 million square feet of space in those buildings is currently occupied by companies with more than 100 employees (see sidebar) — companies of the size that the study shows lost the most jobs.

Where the jobs are

Outside the Financial District, the

city's job growth picture is considerably brighter — and, not surprisingly, what growth there is due largely to the sorts of companies that can't afford highrise rents: small, locally owned independent firms that have been in business less than five years.

District three of the new study includes most of the light industrial and warehouse space on the eastern and southeastern edges of the city (see map). Those areas had the largest net job growth in the city, the Birch study shows.

Between 1981 and 1985, employment in this district grew by 9,016 jobs. Companies with fewer than 20 employees were the largest contributors to job growth, posting a net gain of 5,631 jobs. Companies with more than 100 employees actually lost some jobs in the district, the study shows — employment in those large firms dropped by 769 jobs during the study period.

Small service-sector firms were the largest contributors to job growth in district three. In the category of business services alone, companies with fewer than 20 employees posted a net gain of 2,428 jobs over the four-year period. Small printing and publishing companies added 420 jobs, and small real estate companies added 628.

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